File No. 1232/34

19 .

Collection No.

Mysore Residency

Bangalore

Pros. Serial Nos. 1–10

Subject.

Liability to income tax on salaries & pensions paid by the Govt. of Mysore & Travancore to the ex-ruling Chiefs of Bangalore

Previous References.

134
25

336-A
25

529
34

341
31

Indexed

Later References.

R.F. 254/41.

R.F. 198-40

C.F.

D.No. 4623 S.N. 1
" 7398 " 2

Please see revised note in paras 5 to 11 infra.

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(H) J J (M) J

File 134/25 (1) Please see S.N. 44, 61 and 64 regarding the existing reciprocal arrangement between the C.& M. Station and the Mysore State under which salaries and pensions of British Indian and Mysore officials are taxed where tney are drawn apart from where such officials reside. Under the latest - amendment to Section 4(2) of the Indian Income-tax Act -- residence becomes important as salaries and pensions wherever drawn, become taxable if brought into the Station. In para 5 of letter No. Pol. 635/I.T.55-24, dated the 2nd Feby. 1926, the Mysore Govt. have stated that the question of reciprocal arrangement may be further examined at the option of either administration if and when such a course is considered -- necessary and desirable.

for G.P.A.C

J J
S.N. 44 (H)
134/25

(2) f approved the views of the Mysore Govt. may therefore be obtained in the first instance.

Draft submitted.

(From para 1)

S. Singaroyan
18-9-34

PKN
21.9.34.

(Records were able to give all the reference papers only on the 25th August 1934-vide routine note at A. Hence the delay)

Seen (OR)

(3) Does the amended sec. 4(2) of the Indian Treaties Act come into force automatically in the C. & N. Station, without being specifically applied?

(4) I should feel very reluctant to upset the existing reciprocal arrangement. Is there any reason why we should consider it necessary or desirable to do so? Is there any reason why it should not continue in force in spite of the amendment of Sec 4(2)?

VGhe

8-10-34

P.J.C. D.No. 10028 ✓ S.N.3 ✓
III
J.C.IV " 10939 ✓ " 4 ✓

(5) The amended Section 4(2) of the Indian Income-tax Act came into force automatically in the Civil and Military Station, without being specifically applied - vide portion sidelined in the Foreign and Political Department Notification No. 261-I, dated the 24th April 1929.

(5) ✓ ✓ ✓

(1) The Mysore Government officials in the Civil and Military Station, Bangalore, may be broadly divided into the following classes:-

(i) Mysore officials serving in the Civil and Military Station, Bangalore, whose salaries are drawn in the Mysore State, and

(ii) Mysore officials residing in the Civil and Military Station, Bangalore, whose salaries are also drawn in the Mysore State.

(7) The salaries of officials in class (i) are earned (i.e. they accrue or arise) in the Civil and Military Station but are drawn in the Mysore State. In as much as this income accrues or arises in the Station, the Indian Income-Tax Act (as applied to the Station) applies to it and it becomes chargeable to incometax in the Station as income from "other sources" (Section 6 (vi)). It is also liable to Mysore income-tax under the head "Salaries"



(vide

(vide Section 7(2) of the Mysore Income-tax Regulation). In order to give relief to assessees who become liable to this double taxation a reciprocal arrangement was come to whereby

vide S.N. 70/A 43/17
read with
1) S.N.1 336A/28
2) Para 6 of S.N.7/A & 134/25
3) S.N.44 of 134/25

(i) Mysore officials serving in the Civil and Military Station were exempted from liability to Mysore income-tax on their salaries so long as the Mysore rates were lower than the British Indian rates and had therefore to pay tax only to the Government of the Civil and Military Station, and

(ii) Civil and Military Station officials (if any) serving in the Mysore Territory paid Mysore tax to the Mysore Government and the excess of the British Indian tax over the Mysore tax to the Government of the Civil and Military Station.

This reciprocal arrangement is not affected by the amendment of Section 4(2) of the Indian Income-tax Act and will therefore continue to be enjoyed by the officials in class (i).

The salaries of officials in class (ii) were not liable to income-tax in the Civil and Military Station as they did not accrue or arise nor were received in the Station. The reciprocal arrangement above referred to did not apply to this class of officials - indeed there was no need to apply it to them as there was no question of double taxation in their case as in the case of officials in class (i). The amendment of Section 4(2) has however changed

adoption of this course will result in any considerable loss of revenue to the Station.

(10) If on the other hand it is decided to assess Mysore officials residing in the Civil and Military Station under the amended Section 4(2), we may explain to Mysore the effect of amendment of our Law and tell them that under the amended Section 4(2) we are obliged to assess Mysore officials residing in the Station and request them therefore to furnish us with a list of such officials. If this course is adopted Mysore will in all probability take up immediately the question of amending their law and entering into a reciprocal arrangement with the Station.

(11) Before orders are passed the Assistant Commissioner may see the file u/o for remarks.

Reference papers put up in another file became available only on 27-12-1934 and this is the main cause of delay in submission of the file.

(From frame 3)

18-1-35

18.1.35

(12) As the reciprocal arrangement ~~does not~~ seems to apply to officials in class (i), in spite of the amendment of the law, it would seem very hard to deny its benefits to officers of class (ii), in which case there are even stronger grounds for exemption.

(13) If we can do so, I should like to have the amended sec. 4 (2) ~~does not apply to~~ should not be enforced against Mysore State officials so long as the reciprocal arrangement remains in force.

(14) Asst. Comm. of I.T. should see for remarks as proposed.

21-1-35.

Do.

The Asst Commissioner of Income-Tax

D.O. No. 1232 dated 22/1/35

(15) Under the present reciprocal arrangement, salaries of officials of the Mysore State and of the Civil and Military Station are taxed where they are "received" i.e., drawn, wherever they might "accrue" or "arise" This is an arrangement come to in order to avoid

double

"income, profits and gains". Salary brought here would therefore be taxable at our rates in addition to its taxation at source by the Mysore Government. To give relief from this double taxation, the arrangement as regards business income, under which we refund to an assessee the tax paid by him on such income to the State, may be extended to salary income also.

(4) If this suggestion is adopted, it will mean that the Mysore official who brings his salary to the Civil and Military Station will not be in a worse position than one whose salary accrues or arises in the Station.

Memorandum
30.1.35

2-2-35

OFFICE OF THE RESIDENT IN MYSORE
BANGALORE.
1 FEB. 1935
Regd. No. 1140
File. No.

(20) The above note appears to me a reasonable solution of the problem.

30/1/35

Commissioner & C.

No. I.T. Gl. 13.

DESPATCHED
30 JAN 1935

P.T.O.

THE INCOME-TAX OFFICE
12 MAR 1935
C & M. STATION, BANGALORE

5887

(21) Before proceeding further, we may ask the Income-tax Officer U.O. kindly to enquire and find out the -- approximate amount of additional tax which this Administration will get by the enforcement of amended Section 4(2) on the Mysore officials residing in the C.& M. Station. If, as is likely, the amount involved is not considerable the question becomes one more of academic than of pecuniary interest and it may not be worth while to pursue the matter further.

(From para 12)

(Reference papers were put up in connection with a reference received from the Central Board re double income-tax relief & became available on 28-2-35).

8.3.35

9.3.35

(22) It would be very helpful to have this information, if I.T.Officer can supply it — even very approximately.

16.3.35.

20.3.35
OFFICE OF THE ACCOUNTANT GENERAL IN MYSORE.
16 MAR 1935
Regd. No. 2670
File No.

To

The Income-tax officer

U.O.I.No. 1140 of 14.3.35

(23) I think that such tax may (very roughly) be estimated at Rs.5,000/-

14.3.35

16/3

To the Secretary to the Resident and Commissioner of Income-tax.

U.O.No. dRs14-3-1935.

Civil and Military Station./

(26) Besides, as the Mysore Government have not yet amended section 4(2) of their Income-tax Regulation, the Civil and Military Station officials and pensioners residing in Bangalore City are not at present liable to Mysore tax. This being so it is but fair that Mysore officials and pensioners residing in the Civil and Military Station should not be taxed here. If and when Mysore amends section 4(2) of their law, the question of entering into a reciprocal arrangement with them can be considered so that our officials and pensioners residing in the City may not be subjected to double taxation.

(27) In all the circumstances of the case, it seems we should for the present drop the idea of enforcing amended section 4(2) against Mysore officials and pensioners residing in the Station, but as we have no power to exempt any person or class of persons from the operation of the law we should explain facts to the Central Board of Revenue and get necessary exemption in favour of the Mysore officials and pensioners referred to. In this view a draft to Central Board of Revenue is submitted for consideration.

(28) As regards the p.u.c. there seems to be some confusion as regards the scope and character of the existing

OFFICE
24 JE 1935
C. & M. STATION, BANGALORE.

(30) Asst. Commr. of Income Tax may now see the drafts for remarks, as proposed in para 29. I should feel very reluctant to disturb the existing harmonious relations with Mysore Govt. for the sake of an additional 5000/- or 6000/- a year: and it seems a pity too, when there is talk of retrocession in the air, to do anything to discourage Mysore Govt officials from taking up residence in the C. & M. Station. Quite a number of Cant. & M. Station officials reside outside C. & M. Station limits (The G.O.C., Residency Surgeon, Staff Surgeon and a number of military officers are outstanding examples) and if we make it necessary for Mysore Govt to amend Sec. 4(2), without having any reciprocal arrangements, our loss seems quite likely to be greater than our gain.

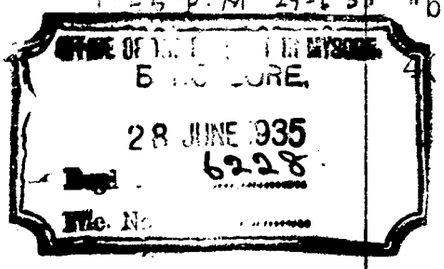
21.6.35.

To

The Asstt. Commr. of Income Tax,
C & M Station, Bangalore

M.O.I. No. 4351 of 21.6.'35

(31) I agree. The proposed drafts may issue. In paragraph 3 of the draft to the Central Board of Revenue, the words "under Section 60(1) of the Income-tax Act" may perhaps be inserted between "be exempted" and "from the operation of Section 4(2)".




2/6
Asst Comm.

To the Commissioner of Income-tax,
C.& M. Station, Bangalore.

U.O.No.I.T.Gl.13 dated 26-6-1935.

(32) If approved the drafts may be issued. The words -- shown in para 31 supra have been added in draft I.

29.6.35

(From para 30)

29/6/35

(33) Is it really necessary to make this insertion? I should prefer not to do so; for it involves the publicity of a Notification in the Gazette of India, and this in itself may be quite sufficient to lead to the rejection of your recommendation. Another

point is that if we are going to ask for an exemption to be made specifically under sec. 60(1), it seems to me that we should have to submit a draft Notification with our recommendation.

(34) Unless there is any very strong objection to this course, I should greatly prefer to issue the draft without the addition proposed in para. 31.

Clow
5.7.35

(35) The Assistant Commissioner has suggested the proposed addition because it is under Section 60(1) of the Act that the Governor General in Council makes exemptions in respect of Income-tax in regard to the income of any class of persons. But it appears that the Central Board of Revenue as Head of the Income-tax Administration can issue executive instructions to the Commissioner to grant exemption without having recourse to a notification under Section 60(1). There seems therefore to be no objection to the omission from the

draft

Issue draft to Payee Ref.

(38) And enclose copies of S.Nos. 6 and 8 (Pvt.) to Asst. Commr. of I.T. for information and guidance, with reference to Comm's enquiry cited S.No. 4.

6.9.35.

S.N.(9) Issue.

(39) Draft to the Asst. Commr. of Income-tax is submitted with reference to para 38 supra.

(From para 38)

13-9-35

13/9/35

S.N.(10) Issue

Await till 20-12-35

6-1-36

Record

No. I.T.Gl. S. N. 1

Office of the Income-tax Officer,
Civil and Military Station, Bangalore.

*Dated* 11th May *1934.*

FROM

M.R.Ry. P.M. Raman Nayar, Avl.,

INCOME-TAX OFFICER, CIVIL AND MILITARY STATION,

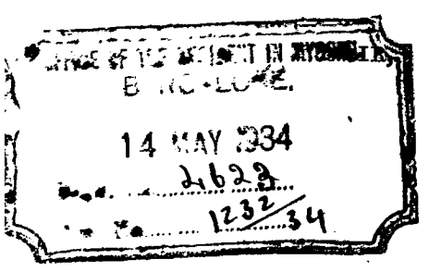
BANGALORE.

To

The Secretary to the Hon'ble the Resident
in Mysore and Commissioner of Income-tax,
Civil and Military Station, Bangalore.

Through

The Assistant Commissioner of Income-tax,
Civil and Military Station, Bangalore.




Amendment to Section 4(2) of the Act - liability to tax - salaries and pensions paid by the Government of His Highness the Maharaja of Mysore and brought to Civil and Military Station, Bangalore.

---

I have the honour to state that consequent on the amendment× of Section 4(2) of the Act, the salary and pension paid by the Government of His Highness the Maharaja of Mysore and brought to the Civil and Military Station, Bangalore, are liable to be taxed in the Station. I therefore request you kindly to obtain and forward at an early date a list of persons, with their addresses, who were receiving in 1933-34 an income of Rs.80/- or over a month from the said Government and who are or were living in the Civil and Military Station of Bangalore.

× Note Enclosed attached

I have the honour to be
Sir,
Your most obedient servant,

M Raman

INCOME-TAX OFFICER.

Forwarded.

ASST. COMMISSIONER OF INCOME-TAX.

[AS PASSED BY THE INDIAN LEGISLATURE.]

# BILL

*Further to amend the Indian Income-tax Act, 1922, for a certain purpose.*

WHEREAS it is expedient further to amend the Indian Income-tax Act, 1922, for the purpose hereinafter appearing; It is hereby enacted as follows:— XI of 1922.

1. (*1*) This Act may be called the Indian Income-tax (Amendment) Act, 1933. Short title and commencement.

(*2*) It shall come into force on the 1st day of April, 1933.

2. In sub-section (*2*) of section 4 of the Indian Income-tax Act, 1922,— XI of 1922. Amendment of section 4, Act XI of 1922.

(*a*) for the words "Profits and gains of a business" the words "Income, profits and gains" shall be substituted, and before the word "profits", where it occurs for the second time, the word "income," shall be inserted;

(*b*) the words "provided that they are so received or brought in within three years of the end of the year in which they accrued or arose" shall be omitted;

(*c*) the following provisos shall be added, namely:—

"Provided that nothing contained in this sub-section shall apply to any income, profits or gains so accruing or arising prior to the 1st day of April, 1933, unless they are income, profits or gains of a business and are received in or brought into British India within three years of the end of the year in which they accrued or arose:

Provided further that nothing in this sub-section shall apply to income from agriculture arising or accruing in a State in India from land for which any annual payment in money or in kind is made to the State"; and

(*d*) in the Explanation, before the word "profits" the word "income," shall be inserted.

I.E

S. N. 2

3

I.T.Gl.No. /3.

Office of the Assistant Commissioner of Income-tax, C.& M.Station,

Dated Bangalore the 10th August 1934.

From

L.J. MacIver, Esq., I.C.S.,
Assistant Commissioner of Income-tax,
C.& M.Station, Bangalore.

OFFICE OF THE RESIDENT IN MYSORE.
BANGALORE.
11 AUG. 1934
Regd. No. 7398
Dy. No. 1282/34

To

The Secretary to the Hon'ble the Resident
in Mysore and Commissioner of Income-tax,
C.& M.Station, Bangalore.

Sir,

S. N. 1

In inviting a reference to the letter of the Income-tax Officer, No.I.T.Gl., dated the 11th May 1934, forwarded with my endorsement of the same number and date, requesting you to obtain and furnish a list of persons drawing salaries and pensions from the Mysore Government and residing in the Civil and Military Station, I have the honour to point out that under a reciprocal arrangement between the Civil and Military Station and the Mysore State, salaries and pensions of British Indian and Mysore officials are taxed where they are <u>drawn</u> wherever the official concerned may <u>reside</u>, i.e., whether within the limits of the Civil and Military Station or the State - <u>Vide</u> paragraph 22 of the Mysore Income-tax Manual and paragraph 4 of the Secretary to the Resident's letter to the Government of Mysore No.579, dated the 19th January 1927. Under the latest amendment to Section 4(2) of the Income-tax Act, however, residence becomes important, as salaries and pensions wherever drawn, become taxable if <u>brought into</u> the Station. Presumably, the existing arrangement should be considered to have ceased to be effective in view of this amendment; but I bring this to your notice as it may be necessary to issue a formal order cancelling or amending the existing arrangement with the Mysore State.

S. N. 61
134/35

2.

2. The list asked for may kindly be supplied as early as possible as Mysore Government officials and pensioners residing in the Civil and Military Station should, in accordance with this amendment, be assessed in the current year.

I have the honour to be,
Sir,
Your most obedient servant,

ASSISTANT COMMISSIONER.

MVS.

S. N. 3

4

No.I.T.Gl.13.

Office of the
Assistant Commissioner of Income-tax,
Civil and Military Station, Bangalore,

*Dated the* 27th October, 1934.

FROM
L. J. MacIver, Esq., I.C.S.,
ASST. COMMR. OF INCOME-TAX,
CIVIL AND MILITARY STATION,
*Bangalore.*

OFFICE OF THE RESIDENT IN MYSORE.
BANGALORE.
31 OCT 1934
Regd. No. 10,028 To
File. No. 1232/34

The Secretary to the Hon'ble the Resident
in Mysore and Commissioner of Income-tax,
Civil & Military Station,
Bangalore.

*Subject.*— Income-tax Act, 1922 - Amendment to Section 4(2) - salaries and pensions paid by the Government of Mysore and brought to the Civil & Military Station, Bangalore - liability to tax.

SIR,

S. N. 2
(P 2 & II)

I have the honour to invite a reference to paragraph 2 of my letter No.I.T.Gl.13, dated the 10th August, 1934, on the above subject, and to request that the list (of persons who were receiving in 1933-34 an income of Rs.80/- or over a month from the Government of Mysore and who were or are living in the Civil and Military Station, Bangalore) requested therein, may kindly be obtained and forwarded at a very early date as assessments have to be made in such cases for 1934-35.

I have the honour to be,
Sir,
Your most obedient servant,

ASSISTANT COMMISSIONER.

MVS.

DESPATCHED

urgent.

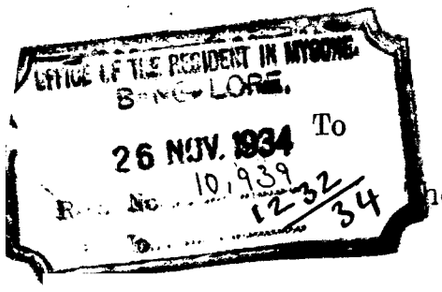
S.N.4

No. I.T.GL.13

Office of the
Collector and Assistant Commissioner of Income-tax,
Civil and Military Station, Bangalore,

*Dated the* 24th November, 1934.

FROM
L. J. MacIver, Esq., I.C.S.,
COLLECTOR AND ASST. COMMR. OF INCOME-TAX,
CIVIL AND MILITARY STATION,
*Bangalore.*




To
The Secretary to the Hon'ble the Resident
in Mysore and Commissioner of Income-tax,
Civil & Military Station, Bangalore.

*Subject.*— Amendment to Section 4(2) of the Income-tax Act - Liability to tax - salaries and pensions paid in Mysore State but brought to Station.

SIR,

S.N.2

I have the honour to invite a reference to my letter No.I.T.Gl.13, dated the 10th August, 1934, on the above subject, and to request the favour of issue of very early orders.

2. In cases in which the Income-tax Officer has proposed assessing the salary incomes brought to the Civil and Military Station by Mysore State Officials, the assessees rely on the reciprocal arrangement entered into between Mysore and the Civil and Military Station and point out that until that arrangement is cancelled, the amended Section 4(2) of the Indian Income-tax Act cannot be applied to them. I think there is force in their argument and am asking the Income-tax Officer to keep such assessments pending until receipt of your instructions in the matter.

I have the honour to be,
Sir,
Your most obedient servant,

ASSISTANT COMMISSIONER.

MVS.

S. N. 5

Secy. Q 3/5/

L6

**GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE**

**General and Revenue Secretariat**

*Bangalore, Dated* 2nd May 1935.

*No.* Pol. 1201 & Ore

I.T. 4-34-12.

4-5-35

OFFICE OF THE RESIDENT IN MYSORE.
BANGALORE.
3 MAY 1935
Regd. No. 4351
File. No. .....

*From*

H.V. Ramasvami, Esq., M.A.,B.L.,
*Secretary to the Government of His Highness the Maharaja of Mysore,*
General Department.

To

*The Secretary to the Hon'ble the Resident in Mysore,*
*Bangalore.*

Reference papers were sent up in connection with Sir, with reply from double Vacation in Cochin & became available on 21-5-35.

SUBJECT:- Reciprocal arrangement in regard to income tax on salaries and pensions drawn in the Mysore State by Mysore officials residing in the Civil and Military Station and on salaries and pensions drawn in the Civil and Military Station by British Indian officials residing in the Mysore State.

****

S.N. 61+64 F. 134/25

I am directed to refer you to Major K.A.G.Evans Gordon's letter No.579/134-1925 dated 19th January 1927 and to Mr. B. Srinivasa Iyengar's reply thereto in his letter No.Pol.1092/I.T.55-24 dated 17th June 1927 whereby a reciprocal arrangement was agreed to by which salaries and pensions of British Indian officials drawn in the Civil and Military Station were made not liable to Mysore Income tax even though such officials reside within the State, the Civil and Military Station authorities similarly agreeing not to levy income tax on the salaries and pensions drawn in the Mysore State of Mysore officials residing in the Civil and Military Station.

Recently it has come to the notice of the Government of Mysore that in the Civil and Military Station, income tax is being attempted to be levied on salaries and pensions of Mysore officials residing in the Civil and Military Station even though such salaries or pensions are drawn in Mysore. A copy of one such representation received from Mr. A. B. Hayes, Retired District Superintendent of Police of Mysore Service who is residing at 27, Residency Road, Bangalore is herewith enclosed for information. I am to state that the Government of Mysore are not aware whether and under what circumstances a departure from the reciprocal arrangement referred to above has been made in the case and if such departure is not authorised

Representation dated 21st Novemoer 1934 from Mr.A.B.Hayes, Retired Superintendent of Police, Mysore Service, No.27, Residency Road, Bangalore, to the General Secretary to Government.

---:0:---

I beg to submit herewith a copy of a Demand notice issued to me by the Income Tax Officer of the Civil and Military Station and my reply thereto.

In this connection I beg to submit that:

(1) The amendment referred to by the Income tax Officer refers to British India and does not apply to the Civil and Military Station for which special application I think is necessary.

(2) The amendment is in opposition to the reciprocal arrangement referred to in para 22 of the Mysore Income tax Manual.

(3) That the amendment has been sprung upon us as a surprise and without warning, which if it had been given would have prevented us pensioners from taking the pension into the Civil and Military Station.

As the amendment goes against the spirit of reciprocal arrangement, and that without notice I, respectfully beg that Civil and Military Station authorities, may kindly be addressed to defer action in this connection, until the question is finally settled, especially as it affects a large number of officers of His Highness' Government and who though located in this area, are the subjects of the Mysore State and draw their pension in the Mysore Territory and are subject to the Mysore Income Tax.

********

"Copy"

M. Shamanna

for General Secretary to Government.

hks.

S.N.6.

All communications should addressed to the Secretary the Resident in Mysore, Bangalore, by designation and not by name.

No. F.1232-34.
~~R.O.I.~~

11/7/35

From

Major C.G.N. Edwards, I.A.,

SECRETARY TO THE HON'BLE THE RESIDENT IN MYSORE.
and
COMMISSIONER OF INCOME-TAX.

To

The Secretary,
Central Board of Revenue.

*Dated Bangalore,* 11th July *1935*.

**Subject.**
Amendment to section 4(2) of the Income-tax Act - Liability to tax - Salaries and pensions paid by the Government of Mysore and brought to the Civil and Military Station, Bangalore.

SIR,

I have the honour to refer to the latest amendment to section 4(2) of the Income-tax Act 1922, under which income, profits, and gains brought to the Civil and Military Station of Bangalore are to be taxed in the Station. There are a number of Mysore Government officials and pensioners drawing their salaries and pensions in the Mysore State but residing in the Civil and Military Station. Under the unamended section 4(2) this income was not liable to be taxed in the Civil and Military Station; but under the amended section it has become liable. The Government of Mysore have not however amended the corresponding section 4(2) of their Income-tax Regulation; and consequently the officials of the Civil and Military Station who are similarly circumstanced i.e., who draw their salary in the Station but reside within State limits, are not liable to Mysore income-tax. In view of this fact, and in view also of the fact that the amount of tax involved is inconsiderable, it seems equitable that Mysore Government officials and pensioners residing in the Civil and Military Station should not be taxed in the Station. If and when the Mysore Government amend section 4(2) of their law the question of entering into a reciprocal arrangement with them can be considered, so that the Civil and Military Station officials and

pensioners

with the Government of Mysore be taken up if and when that Government amend section 4(2) of their law.

I have the honour to be,
Sir,
Your most obedient servant,

d/c 11/7.

SECRETARY TO THE RESIDENT
and
COMMISSIONER OF INCOME-TAX.

S.N.7

All communications should be addressed to the Secretary the Resident in Mysore, Bangalore, by designation and not by name.

No. F.1232-34. R.O.I.

From

Major C.G.N. Edwards, I.A.,

SECRETARY TO THE HON'BLE THE RESIDENT IN MYSORE.

To

The Secretary to the Government of
His Highness the Maharaja of Mysore,
General Department.

*Dated Bangalore,* 11th July 1935.

**Subject.**

Amendment to section 4(2) of the Indian Income-tax Act - liability to tax - salaries and pensions paid by the Government of Mysore and brought to the Civil and Military Station, Bangalore.

SIR,

I am directed to refer to your letter No. Pol.1201/I.T.4-34-12, dated the 2nd May 1935, and to say that consequent on the amendment of section 4(2) of the Indian Income-tax Act 1922, salaries and pensions paid by the Government of His Highness the Maharaja of Mysore and brought to the Civil and Military Station of Bangalore are liable to be taxed in the Station.

*Copy enclosed.

*S.N.5 cor: page 4-7

2. For the purposes of this letter the Mysore Government officials in the Civil and Military Station, Bangalore, may be broadly divided into the following classes:-

(i) Mysore officials serving in the Civil and Military Station, Bangalore, whose salaries are drawn in the Mysore State, and

(ii) Mysore officials (including pensioners) residing in the Civil and Military Station, Bangalore, whose salaries (including pensions) are drawn in the Mysore State.

The salaries of officials in class (i) are earned (i.e. accrue or arise) in the Civil and Military Station, but are drawn in the Mysore State. In as much as this income accrues or arises in the Station the Indian Income-tax Act (as applied to the Station) applies to it, and it becomes chargeable to income-tax in the Station as income from "other sources" (Section 6(vi)). It is also liable to Mysore income-tax under the head "Salaries" (vide section 7(2) of the Mysore Income-tax Regulation). In order to give relief to assessees who

become

become liable to this double taxation, the existing reciprocal arrangement was introduced whereby

(i) Mysore officials (if any) serving in the Civil and Military Station were exempted from liability to Mysore income-tax on their salaries so long as the Mysore rates were lower than the British Indian (Civil and Military Station) rates, and had therefore to pay tax only to the Government of the Civil and Military Station, and

(ii) Civil and Military Station officials (if any) serving in the Mysore Territory paid Mysore tax to the Mysore Government and the excess of the British Indian (Civil and Military Station) tax over the Mysore tax to the Government of the Civil and Military Station.

This reciprocal arrangement is not affected by the amendment of section 4(2) of the Indian Income-tax Act and will therefore continue to be enjoyed by the officials in class (i).

3. The salaries of persons in class (ii) - Mr. Hayes whose representation forms an enclosure to your letter comes under this class - were formerly not liable to income-tax in the Civil and Military Station, as they did not accrue or arise nor were received in the Station. The reciprocal arrangement referred to above did not apply to this class of persons - indeed there was no need to apply it to them, as there was no question of double taxation in their case as in the case of officials in class (i). The amendment to Section 4(2) has, however, changed the position. The amended section applies to persons in class (ii) as under it salaries, wherever drawn, become taxable if brought into the Station. They are also taxable as "salaries" in the Mysore State. The question of exempting this class of persons from the operation of amended section 4(2) of the Act

has

S.N. 8

R.Dis.No.618-I.T/35.

Government of India.

FINANCE DEPARTMENT (CENTRAL REVENUES).

SIMLA, the 20th August 1935.

....

From

A.H. Lloyd, Esquire, C.S.I., C.I.E., I.C.S.,

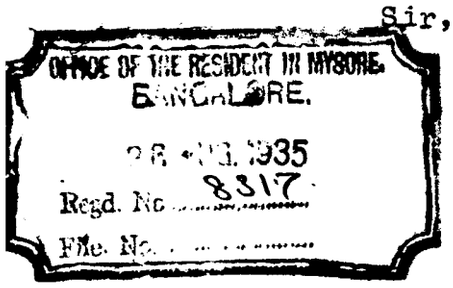
Joint Secretary to the Government of India,

To

The Secretary to the Hon'ble the Resident in Mysore,

and Commissioner of Income-tax.

Sir,




S.N. 6
Cor: pages 9-11

Liability to tax - Salaries and pensions drawn by Mysore Government officials and pensioners in Mysore State but residing in Civil and Military Station, Bangalore-Section 4(2)-Indian Income-tax Act, 1922.

.....

In reply to your letter No.F.1232-34/R.O.I., dated the 11th July, 1935, I am directed to state that the Government of India are pleased to direct that the Mysore Government officials and pensioners who draw their salaries and pensions in Mysore State but reside in the Civil and Military Station of Bangalore should not be charged Indian income-tax on such salaries and pensions to which they are liable under section 4(2) of the Indian Income-tax Act, 1922.

I have the honour to be,

Sir,

Your most obedient servant,

23-8-35

Joint Secretary to the Government of India.

Copy of correspondence forwarded to the Foreign and Political Department.

N.P.G.
23.8.35.

S. N. 9

14

Issued KRN 10.9.35.

DEPARTMENT.

BRANCH.

File No.

Serial No.

Draft Letter / Memorandum / Telegram

Class for telegrams: Ordinary / Express / Urgent* / Priority / Clear Line†

*Only for Foreign Telegrams.

†Not for Foreign Telegrams.

No. F.1232/34/R.O.I. Dated 11. 9. 1935

To be issued on

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3rd Reminder

Heading:

Case or Diary No.

If post copy of telegram required

Date of despatch of above

List of enclosures

(Code word for telegrams.)

S.N. 7
Cor. pages 12-14
'A'

To

The Secretary to the Govt. of Mysore,
General Department.

Liability to tax- salaries and -- pensions drawn by Mysore Govt. official and pensioners in Mysore State but -- residing in the Civil and Military -- Station, Bangalore.

Sir,

In continuation of my letter No. F. 1232/34/R.O.I., dated the 11th July 1935, I am directed to say that the -- Government of India ~~are~~ have been pleased to -- ~~direct~~ decide that the Mysore Government -- officials and pensioners who draw -- their salaries and pensions in the Mysore State but reside in the Civil and Military Station of Bangalore should not be charged Indian income-tax on such -- salaries and pensions to which they are liable under section 4(2) of the Indian Income-tax Act, 1922.

I have etc.,

Secy. to the Resident.

Copy

S. 5.

MGIPC—S1—158(Genl)MFP—(M-1933)—3-5-34—50,000 Pads.

17

S.N. 4
C.P. 5

(A)

Copy forwarded to the Assistant Commissioner of Income-tax, C. & M. Station, Bangalore, for information and guidance with reference to the correspondence ending with his letter No. I.T. 9L.13/8 dt. 24th Nov. 34.

4-9-35

S.A. 35